

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CARROLL COUNTY WATER)
DISTRICT NO. 1 TO ISSUE SECURITIES IN THE)
APPROXIMATE PRINCIPAL AMOUNT OF)
\$3,820,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2012-00046
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

ORDER

On March 2, 2012, Carroll County Water District No. 1 ("Carroll District") applied to the Commission for approval to enter into a loan agreement with the Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$3,820,000 to refinance existing long-term debt.¹

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Carroll District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that produce and distribute water to approximately 2,988 customers in Carroll, Gallatin, and Owen Counties, Kentucky.²
2. Carroll District proposes to execute an Assistance Agreement with the KRWFC to borrow \$3,820,000, subject to an adjustment of up to 10 percent. The

¹ Carroll District tendered its Application on February 10, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On March 2, 2012, the Commission granted this requested and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

² *Report of Carroll County Water District No. 1 to the Kentucky Public Service Commission for the Year Ended December 31, 2010* (hereinafter "Annual Report") at 5 and 27.

proposed loan will have a 27-year term with interest rates that vary from 2.00 percent to 4.3 percent per annum.³

3. Carroll District proposes to use the proceeds from the loan agreement to refund the outstanding revenue bonds designated as Carroll County Water District No. 1 Waterworks Revenue Bonds, Series 1994 (“Series 1994”);⁴ Carroll County Water District No. 1 Waterworks Revenue Bonds, Series 1997A and B (“Series 1997”);⁵ and Carroll County Water District No. 1 Waterworks Revenue Bonds, Series 1999A and B (“Series 1999”)⁶. Rural Development⁷ holds all outstanding bonds.

4. Approximately \$422,000 of the Series 1994 Bonds remain outstanding. These bonds bear interest at a rate of 4.5 percent per annum.

5. Approximately \$1,938,000 of the Series 1997 Bonds remain outstanding. These bonds bear interest at a rate of 4.875 percent per annum.

6. Approximately \$1,316,000 of the Series 1999 Bonds remain outstanding. These bonds bear interest at a rate of 4.5 percent per annum.

³ Application, App. A.

⁴ See Case No. 93-467, *The Application of Carroll County Water District No.1 of Carroll, Gallatin and Owen Counties, Kentucky for a Certificate of Public Convenience and Necessity to Construct, Finance and Increase Rates Pursuant To KRS 278.023* (Ky. PSC Jan. 24, 1994) (authorizing bond issuance).

⁵ See Case No. 97-217, *The Application of Carroll County Water District No.1 of Carroll, Gallatin and Owen Counties, Kentucky for a Certificate of Public Convenience and Necessity to Construct, Finance, and Increase Rates Pursuant To KRS 278.023* (Ky. PSC May 19, 1997) (authorizing bond issuance).

⁶ See Case No. 99-302, *The Application of Carroll County Water District No.1 of Carroll, Gallatin and Owen Counties, Kentucky, For a Certificate of Public Convenience and Necessity to Construct and Finance Pursuant To KRS 278.023* (Ky. PSC Oct. 6, 1999) (authorizing bond issuance).

⁷ Rural Development is an agency of the U.S. Department of Agriculture.

7. Carroll District will expend \$3,856,250 to refund the outstanding bonds and to pay bond issuance costs.⁸

8. Carroll District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$358,608 and \$350,925, respectively.⁹

9. Carroll District's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair Carroll District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Carroll District is authorized to enter into an agreement with KRWFC to borrow no more than \$4,202,000¹⁰ for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its application, Carroll District shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

⁸ Application at Exhibit B. \$26,391 (Original Issue Discount) + \$57,300 (Total Underwriter's Discount) + \$57,300 (Cost of Issuance) + \$3,714,855 (Deposit to Current Refunding Fund) + \$404 (Rounding Amount) = \$3,856,250. The sources of these funds are: Par Amount of Bonds (\$3,820,000) and Prior Issue Debt Service Funds (\$36,250).

⁹ *Id.* at Exhibit C.

¹⁰ $\$3,820,000 \times 110\% = \$4,202,000$.

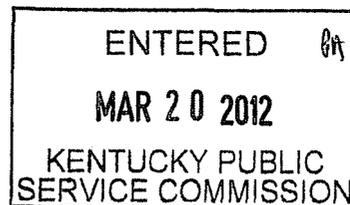
3. Within 30 days of executing the proposed agreement, Carroll District shall file a written statement with the Commission setting forth the date on which the agreement was entered, the actual interest rates, and the principal amount.

4. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in Carroll District's application.

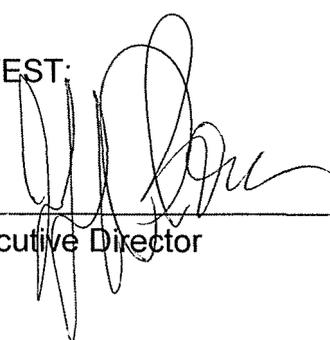
5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

By the Commission



ATTEST:



Executive Director

Case No. 2012-00046

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